Performance Audit Land Bank's Contract and Deed of Trust Monitoring Processes Should Be Strengthened

April 2016

Office of the City Auditor

City of Kansas City, Missouri





Office of the City Auditor

21st Floor, City Hall 414 East 12th Street Kansas City, Missouri 64106

April 26, 2016

Honorable Mayor and Members of the City Council:

This audit of the Land Bank of Kansas City, Missouri, focuses on whether Land Bank has monitoring procedures to ensure compliance with contracts and other agreements. While Land Bank has established policies and procedures for the acquisition and transfer of properties that are based on recommended practices, Land Bank does not have written policies and procedures for monitoring mowing contracts or compliance with deed of trust requirements. Without policies and procedures for monitoring its contracts and deed of trust requirements, Land Bank cannot ensure that property taxes are paid, property code and nuisance violations are corrected, and required improvements are made timely.

(816) 513-3300

Fax: (816) 513-3305

Land Bank needs to improve how it monitors a property purchaser's compliance with deed of trust requirements. Purchasers of Land Bank property have promised to make about \$5.3 million in improvements to the properties purchased. Land Bank does not have policies and procedures that identify and track deed of trust requirements, property code and nuisance violations, and corrective actions. Land Bank staff currently responds to deed of trust compliance issues on a case-by-case basis with no plan for the purchaser to remedy an unmet deed of trust requirement when the terms of the deed of trust expires.

We found that Jackson County is correctly transferring to Land Bank, via the city, taxes paid by purchasers of Land Bank property.

Land Bank mowing contracts need to be revised and better monitored. Mowing contracts did not always contain accurate information. Contractors did not always comply with the contract requirements. The mowing property list provided to contractors was not always accurate and Land Bank did not always follow up on contractor-identified property issues. Mowing contract requirements should be reviewed and revised to fit Land Bank's monitoring capabilities.

We make recommendations to improve Land Bank's monitoring practices through the development of policies and procedures for verifying, documenting, tracking, and enforcing requirements in Land Bank deeds of trust; and for reviewing, revising, and monitoring Land Bank mowing contracts.

The draft report was made available to the executive director of Land Bank on March 25, 2016, for review and comment. His response is appended. We would like to thank Land Bank and Jackson County for their assistance and cooperation during this audit. The audit team for this project was Jonathan Lecuyer and Nancy Hunt.

Douglas Jones

City Auditor

Land Bank's Contract and Deed of Trust Monitoring Processes Should Be Strengthened

Table of Contents	
Introduction	1
Objectives	1
Scope and Methodology	1
Background	3
Land Bank of Kansas City, Missouri	3
Mowing Contracts	3
Deed of Trust	4
Findings and Recommendations	5
Summary	5
Deed of Trust Monitoring Should Be Strengthened	5
Procedures for Deed of Trust Compliance Monitoring Needed	6
Land Bank Needs Deed of Trust Enforcement Policy and Procedures	9
Land Bank Receiving Taxes for Sold Properties	9
Land Bank Mowing Contracts Can Be Better Monitored	10
Accurate Data Needed for Contractor Mowing Lists	10
Mowing Contract Requirements Were Not Always Met	11
Scope of Services for Mowing Contracts Needs Review and Revision	12
Recommendations	13
Appendix A	15
Executive Director of Land Bank of Kansas City, Missouri's Response	15
List of Exhibits	

4

6

Exhibit 1. Mowing Solicitation Types

Exhibit 2. Property Code and Nuisance Cases for Property Sold by Land Bank

Exhibit 3. Status of Deed of Trust Improvements for Selected Properties as of December 16, 2015

Introduction

Objectives

We conducted this audit of the Land Bank of Kansas City, Missouri, ("Land Bank") under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.¹

This report is designed to answer the following question:

• Do Land Bank's monitoring processes ensure compliance with contracts and other agreements?

Scope and Methodology

Our review focuses on Land Bank's policies, procedures and practices related to monitoring contracts and other agreements. Our audit methods included:

- Interviewing Land Bank staff to identify their practices related to monitoring deeds of trust requirements and contracts.
- Reviewing applicable state statutes and city code to understand Land Bank's legal structure and powers.
- Reviewing policies, procedures, by-laws, governance structure, budgets, strategic plans, goals, performance measures, and other

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2011), p. 17.

governing documents to understand Land Bank's purpose, mission, objective, and functional structure.

- Reviewing recommended practices, benchmarks, and standards related to land banks to compare to Land Bank's practices or outcomes.
- Reviewing the city's Manual of Instructions and Administrative Regulations to identify applicable rules or guidance for Land Bank contract and agreement monitoring.
- Reviewing Land Bank mowing contracts and deeds of trust issued to purchasers of Land Bank property to identify requirements.
- Reviewing Land Bank invoices, mowing reports, tracking systems, and other records to identify Land Bank monitoring practices.
- Reviewing property code and nuisance violations of Land Bank's sold properties to determine the accuracy and completeness of Land Bank records.
- Visually inspecting the exteriors of ten sold Land Bank properties to compare with Land Bank monitoring records.
- Reviewing tax payment receipts and Jackson County property records to test tax payment deed compliance and to test whether tax transfers followed state requirements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We provided Land Bank with detailed tax receipt data, mowing report addresses, and 3-1-1 complaint data so they could follow up on specific deed of trust compliance issues identified in this audit. No other information was omitted from this report because it was deemed privileged or confidential.

Background

Land Bank of Kansas City, Missouri

In 2012, the State of Missouri passed legislation that authorized the City of Kansas City to form a Land Bank.² Kansas City created the Land Bank to provide greater flexibility in returning unproductive city-owned properties to productive private and public uses. Land Bank's purpose is to manage, sell, transfer, and dispose of real estate located within the city limits that did not sell at Jackson County's annual tax foreclosure sale. Prior to the creation of the Land Bank, the Jackson County Land Trust served in a similar capacity. The Jackson County Land Trust continues to operate within Jackson County outside the city limits of Kansas City, Missouri.

Land Bank currently holds an inventory of approximately 4,000 properties. Land Bank is responsible for managing and maintaining the properties until they are sold. More than half of Land Bank's \$2 million annual budget is spent on mowing and weed abatement contracts for property it owns. When Land Bank sells a property, the purchaser takes the property with certain requirements that must be met in the next three years. The requirements are set forth in a deed of trust. Land Bank is responsible for monitoring the purchasers' compliance with the deed of trust requirements for those three years.

Eighty-six percent of Land Bank's budget comes from the city's general fund. State statue allows Land Bank to retain revenues from the property it sells and to retain all collectable property taxes from those properties for three years.

Land Bank is overseen by a five-member board with the majority of the members appointed by the mayor. Though Land Bank is a legally separate entity from the city, its staff is city employees. The executive director of Land Bank reports to both the board of directors for Land Bank and to the director of the city's Neighborhoods and Housing Services Department.

Mowing Contracts

The city's Procurement Services Division procures Land Bank's mowing and weed abatement contracts through three types of solicitations. Type 1 solicitations provide neighborhood groups the first opportunity to mow

-

² Mo. Rev. Stat. § 141.210-141.810 and 141.980-141.1015.

and weed properties located within their neighborhood. If a neighborhood group declines to bid, a Type 2 solicitation is available for area non-profits through a request for proposal process for the defined neighborhood area. All remaining property is then rolled into one request for proposal under a Type 3 solicitation for mowing businesses. (See Exhibit 1.)

Exhibit 1. Mowing Solicitation Types

Type	Contractor	Number of Contractors
1	Neighborhood Groups	10
2	Non-Profit Groups	6
3	Private Contractors	1

Source: Land Bank records.

Deed of Trust

Since its inception, Land Bank has returned over 300 properties to private or public use and generated almost \$700,000 in sales. A Land Bank deed of trust, which is subordinate to the lender's deed of trust, may be used when Land Bank transfers title to a purchaser but requirements such as repairs or a minimum period of owner occupancy are not yet performed. Deeds of trust issued by Land Bank may include the following requirements:

- Pay all property taxes, assessments, and city financial obligations that accrue on the purchased property.
- Maintain the purchased property.
- Complete agreed upon rehab or development work to the purchased property.

If the purchaser fails to meet deed of trust requirements within the required timeframe, usually three years, Land Bank may extend the time or exercise its rights to foreclose under the deed of trust.

Findings and Recommendations

Summary

Land Bank has established policies and procedures for the acquisition and transfer of properties that are based on recommended practices, however Land Bank does not have any written policies and procedures to monitor or enforce the deeds of trust it issues to property purchasers to ensure the purchased property meets Land Bank's stated goals and objectives.

Land Bank receives taxes paid by Land Bank property purchasers after the property is sold. The Jackson County Assessment Office tags those properties in its system so tax receipts from those properties are forwarded to the city, which then forwards them to Land Bank.

Mowing lists supplied to Land Bank contractors did not always contain accurate information. The performance requirements in mowing contracts were not always met. Land Bank mowing contracts should be reviewed and revised to fit Land Bank's monitoring capabilities.

Deed of Trust Monitoring Should Be Strengthened

Land Bank does not have written monitoring policies and procedures that provide reasonable assurance that property purchasers comply with deed of trust requirements such as keeping property free of property code and nuisance violations, paying required property taxes and special assessments, and completing required improvements timely. Without reasonable assurance that property purchasers comply with deed of trust requirements, Land Bank cannot effectively evaluate whether the program is accomplishing its stated goals and objectives to eliminate blight from the community.

Land Bank has not developed written policies and procedures to guide staff in the enforcement of deed of trust requirements. Without enforcement policies and procedures for deed of trust requirements, Land Bank's response to non-compliance may be inconsistent or non-existent and Land Bank may not utilize all the tools it has available to accomplish its goals and objectives in the community.

The Jackson County Assessment Department tags Land Bank sold property in its tax system so future property tax receipts from sold Land Bank properties go to Land Bank as required by state statute.

Procedures for Deed of Trust Compliance Monitoring Needed

Land Bank does not have written policies and procedures to monitor a property purchaser's compliance with deed of trust requirements. As a result, some property owners have property or nuisance code violations, have not paid their property taxes, or have not completed required property improvements.

Land Bank does not have a system to track property code and nuisance violations on properties it sells. The deed of trust accompanying property Land Bank sells includes a provision requiring purchasers to keep the property free of property code and nuisance violations during the term of the deed of trust. Land Bank does not have policies and procedures to monitor whether purchased properties are subsequently cited by the city for property code and nuisance violations. Land Bank staff reported they may check the complaints in the 3-1-1 system themselves and then handle the property code and nuisance violations directly with the purchaser. Land Bank also may receive complaints directly from neighborhood groups in the area. Staff states they may send a certified warning letter requesting the violation be fixed, but do not gather or track this information in a standardized or formal manner.

We compared purchased Land Bank properties still under the three year deed of trust term as of November 12, 2015, with complaints in the 3-1-1 system. We found 71 of the purchased properties had property code and nuisance violations after the sale with 37 of those cases still open. Of the properties sold that had 3-1-1 complaints prior to their sale, 179 no longer had property code and nuisance cases. (See Exhibit 2.)

Exhibit 2. Property Code and Nuisance Cases for Property Sold by Land Bank

Status of Case	Number of Properties ³
Cases prior to sale – none since	179
Opened after sale – currently closed	34
Opened after sale – currently open	37

Source: 3-1-1 open data as of November 12, 2015.

³ There were no violations recorded before or after the sale of 130 properties. An additional 47 properties sold during this time were transferred to city departments, Kansas City Public Schools, or some other public entity.

Land Bank does not have a process to verify taxes are current on properties it has sold. The deed of trust accompanying property Land Bank sells requires purchasers to stay current on all applicable taxes related to the purchased property. Land Bank staff tracks some tax payments on a spreadsheet, but it is not accurate or complete. Land Bank has no written process to document whether it received tax payments for specific properties. Although Land Bank regularly received tax payments from the Jackson County Treasurer, those payments did not include parcel information. As a result, Land Bank could not determine which purchasers paid their taxes in accordance with deed of trust requirements.

We requested parcel data from the Jackson County Assessment Department to verify tax payments received and transferred to Land Bank as of March 4, 2016.⁴ We found that 56 out of 200 purchased properties that owed taxes were delinquent and still under their deed of trust obligations.⁵ Since our request, the county has begun including parcel data with tax payment transfers so Land Bank will now be able to determine which purchasers paid their taxes.

Land Bank does not have a standardized process to verify or track the completion of required work on property it has sold. The value of required property improvements is included in the total value offer a purchaser makes when attempting to buy Land Bank property. If Land Bank accepts the offer, those properties include a deed of trust requirement that the purchaser complete the required improvements within a specified time frame. Purchasers of Land Bank property have promised to make approximately \$5.3 million in improvements to properties purchased.⁶

Land Bank staff states they stay in touch with purchasers to monitor completion of required property improvements and may offer extensions to allow purchasers more time to complete the improvements. Land Bank keeps email records and informal communications, but does not have written procedures and standardized documentation for verifying improvements are completed timely. Although Land Bank has a spreadsheet to track purchaser progress, it is not updated and as a result we could not assess for which properties Land Bank had verified the completion of required improvements.

4

⁴ Only properties sold from 2013 through 2014 would have owed taxes by the end of 2015. Properties sold during 2015 do not owe taxes until the end of 2016.

⁵ Land Bank transferred some properties to the Kansas City Public Schools, other city departments, or another entity that does not pay taxes. We excluded non-taxable properties from our delinquent tax analysis.

⁶ KCSTAT presentation February 12, 2016.

We randomly selected 10 deeds of trust that included required improvements on the purchased properties to determine whether purchasers completed the improvements timely. Examples of required exterior improvements include work such as: replacing guttering, repairing or replacing roofing, replacing doors or windows, repairing damaged siding, repairing other exterior components, and new construction. We visually inspected the selected properties to determine whether exterior work had been completed. We found one property had its exterior improvement completed and six properties did not have the required improvement completed within the deed of trusts' timeframe. Three properties were still within the timeframe given in the deed of trust, though only one had work underway. (See Exhibit 3.)

Exhibit 3. Status of Deed of Trust Improvements for Selected Properties as of December 16, 2015.

	Expected	
Date of Sale	Completion Date	Status of Improvements
7/27/2015	11/24/2015	Complete
11/14/2014	3/14/2015	Mostly complete
5/6/2014	9/3/2014	Not complete
5/6/2014	9/3/2014	Not complete
10/28/2013	10/28/2015	Not complete
7/17/2015	10/25/2015	Not complete
7/10/2014	11/7/2014	Not complete – work underway
4/29/2014	4/29/2017	Within timeframe
3/31/2015	3/31/2018	Within timeframe
8/28/2013	8/28/2016	Within timeframe- work underway

Source: Deeds of trust and City Auditor's Office staff's visual inspections.

Land Bank could improve its monitoring efforts. Each type of deed of trust requirement we reviewed had non-compliance – property code and nuisance violations existed; property taxes were not paid; or required improvements were not completed timely. Land Bank does not have procedures to identify non-compliance with deed of trust requirements, standardized documentation for recording non-compliance and remedies, or a system to track the completion of deed of trust requirements. Land Bank monitoring practices need to provide reasonable assurance that purchasers comply with deed of trust requirements. Standardized data and information should be collected and tracked in a manner so it can be used to assess the impact and effectiveness of the Land Bank program. Without these items, Land Bank cannot effectively monitor compliance with deeds of trust requirements – requirements Land Bank established to accomplish its goal of reducing blight in the community.

In order for Land Bank to effectively monitor the requirements in its deeds of trust for properties it sells, the executive director of Land Bank should develop policies and procedures to identify and track deed of trust

requirements, compliance with the requirements, and corrective actions taken to address noncompliance.

Land Bank Needs Deed of Trust Enforcement Policy and Procedures

Land Bank does not have a policy to guide staff actions on enforcing deed of trust requirements. Although Land Bank attempts to monitor deed of trust requirements on a case-by-case basis, it does not have written enforcement policies or procedures. Written policies and procedures will help ensure Land Bank staff knows what enforcement options are available and when they could be used. In addition, policies and procedures help new employees learn how to enforce deeds of trust more efficiently and ensure lessons learned are not lost when staff leaves.

Although the deed of trust outlines a process for Land Bank to notify property owners of non-compliance with deed of trust requirements and Land Bank's right to foreclose on property when actions to remedy the non-compliance are not taken, it is unclear how staff decides which intermediary steps they may take and when. Land Bank needs to evaluate when to use foreclosure as a remedy for non-compliance and what to do if all deed of trust requirements are not satisfied when the deed of trust is set to expire.

The purpose of deed of trust requirements is to ensure properties become a positive asset to the community. Deeds of trust provide Land Bank with a unique opportunity to require property owners whose properties are a blighting element to make necessary improvements and the power to regain control of problem properties more quickly than through the tax foreclosure process. Without a policy guiding staff in how to enforce the deed of trust requirements, this neighborhood development tool may not be effective.

In order to ensure that deed of trust requirements accompanying sold Land Bank property are met, the executive director of Land Bank should develop enforcement policies to guide staff through major decision points during the life of a deed of trust that include possible actions to be taken for failure to meet deed of trust requirements and unsatisfied deed of trust provisions at the end of the deed term.

Land Bank Receiving Taxes for Sold Properties

Land Bank has received the property taxes paid from sold properties. Missouri state law requires property taxes collected the three years following the sale of Land Bank properties be directed to Land Bank to help fund its activities. According to the Jackson County Assessment Department, property records for properties sold by Land Bank are tagged to indicate that property taxes collected from that parcel should be forwarded to Land Bank. The tag, a computer tag on a record, is designed to stay with the property for a period of three years even if it changes hands. After the three-year period, the tag should automatically drop from the property and taxes would revert to the appropriate jurisdictions. We determined that all of the property records listed on the Jackson County website for properties sold by Land Bank as of September 16, 2015 were tagged appropriately. In addition, all tagged properties that had a payment posted to Jackson County's website had their funds forwarded to Land Bank for the 2014 tax year.

Land Bank Mowing Contracts Can Be Better Monitored

Land Bank is responsible for monitoring mowing contracts for properties it owns. Mowing lists supplied to contractors by Land Bank do not always contain accurate information. The performance requirements in mowing contracts were not always met by contractors. The mowing contracts should be reviewed and revised to fit Land Bank's monitoring capabilities.

Accurate Data Needed for Contractor Mowing Lists

Land Bank's lists of properties to be mowed were not always accurate. At the start of the mowing season, Land Bank provides contractors with lists of properties to mow; however, the initial 2015 mowing lists contained properties that were not owned by Land Bank or a city entity. Although Land Bank is responsible for ensuring sold properties are removed from the mowing lists throughout the year, not all properties sold by Land Bank in 2015 were removed from the lists once they were sold.

Land Bank does not have an established process to update or remove properties from mowing lists. We reviewed three mowing reports and invoices submitted by contractors for the 2015 mowing season to determine whether Land Bank paid to mow lots it did not own.⁸ Because the mowing lists were not accurate, Land Bank paid those three contractors more than \$2,000 for moving lots that it did not own.

⁷ Mo. Rev. Stat. § 141.988.3.

⁸ The Land Bank had 17 contractors for the 2015 mowing season.

In order to ensure Land Bank only pays to mow lots it owns, the executive director of Land Bank should develop procedures to ensure the initial mowing lists provided to contractors are accurate and updated throughout the mowing season to remove properties as they are sold.

Mowing Contract Requirements Were Not Always Met

Land Bank did not verify contractors completed work according to the mowing contract. Although contractors submitted invoices and mowing reports, they were generally not in accordance with the contract requirements. In addition, Land Bank did not always respond to contractor-identified issues on Land Bank property.

Land Bank did not verify mowing contractors' work. Although Type 1 and 2 contracts used by Land Bank call for staff to verify all work completed by contractors, Land Bank staff did not verify the work. Staff stated that if they received 3-1-1 complaints regarding properties being overgrown, they would forward those to contractors responsible for the area. The Type 3 contract requires the contractor to provide before and after photographs for all work completed. Although the contractor submitted digital pictures to Land Bank, Land Bank staff did not review these pictures to verify the mowing was completed.

Land Bank cannot be reasonably confident all work paid for has been completed without a verification process. Waiting for citizen or neighborhood complaints regarding poor contractor performance does not ensure properties were mowed and could lead to citizen dissatisfaction with Land Bank's management of property. In addition, contractors may not follow all contract requirements without a proactive verification process.

In order to ensure all mowing contractors have completed work for invoices submitted, the executive director of Land Bank should develop a monitoring process for staff that gives reasonable assurance that mowing work has been completed.

Land Bank did not require contractor mowing reports and invoices to adhere to contract requirements. Mowing contracts require a minimum amount of identifying information to be included each time mowing invoices are submitted. Although invoices are supposed to be submitted within five to seven days of completion of the work, most of the invoices did not include a submission date or were not submitted within the required timeframe. Additionally, none of the contractors submitted daily mowing reports even though they are required by the contract. The Type 3 contractor submitted one mowing invoice for over

\$255,000 covering the entire mowing season with no referenced mowing dates or property locations.

When contractors do not follow contract requirements for invoice and mowing report submissions, it is more difficult for Land Bank staff to determine what work has been completed, track payments for work completed, and ensure payments are accurate.

In order to confirm that contractors completed work they submit invoices for and improve Land Bank's ability to track payments for work completed, the executive director of Land Bank should develop a monitoring procedure to provide reasonable assurance that contractors follow mowing contract requirements.

Land Bank did not follow up on contractor-identified property

issues. Type 1 and 2 mowing contracts do not require the contractor to remove trash, bulky items, or large brush found on properties, but ask that they be set on the curb for the city to remove. We found several instances where contractors repeatedly requested the same bulky item pick-up or abatement throughout the mowing season. When Land Bank does not respond to contractor-identified issues, it adds to blighting elements in the neighborhood and can lead to decreased citizen satisfaction with city services.

In order to reduce blighting elements on city-owned property, the executive director of Land Bank should develop and follow written procedures for responding timely to contractor-identified issues on Land Bank properties.

Scope of Services for Mowing Contracts Needs Review and Revision

The scope of services for mowing contracts does not adequately reflect Land Bank's administration of the mowing program. The Neighborhood Preservation Division (NPD) was in charge of mowing contracts prior to the 2015 mowing season. When contract oversight was assigned to Land Bank for the 2015 mowing season, the NPD version of the mowing contracts was not altered for use by Land Bank. Language referencing NPD staff responsibilities remained scattered throughout the scope of work outlined in the contract despite the change in who was responsible for administering the contract.

The mowing contracts contain reporting and monitoring requirements that may have been appropriate when NPD was responsible for the contract, but may not be suitable for Land Bank. Land Bank only has five and one half employees who are responsible for overseeing the

importing of all Land Bank property from the county tax foreclosure sale, assessing and prioritizing properties for use, preparing the properties for sale, and shepherding those properties through a sales process that typically includes showing them to prospective buyers, extensive title research, contract negotiation, and other unforeseen obstacles. These duties are in addition to monitoring mowing contracts to maintain the 4,000 properties over the course of the year.

In 2016, Land Bank anticipates an influx of more than 300 properties with a break even goal to close the sale of 40 properties a month. Considering Land Bank's limited staffing resources, reviewing daily submissions by contractors and verifying all work may not be realistic. Additionally, contractual terms requiring professional mowing contractors to submit before and after photo evidence of work may affect the number, quality, and price of bids for that work.

Contract scope of services should be tailored to fit the agency using them and the contractors they are seeking. Contracts are the foundation of the monitoring process because they establish the terms to be monitored. Unrealistic or inaccurate contract terms make monitoring activities less successful and may no longer be applicable or relevant to all contractors.

In order to establish clear and enforceable contract terms, the executive director of Land Bank should work with Procurement Services to develop mowing contracts and scope of services that correctly identify who is responsible for monitoring activities and include monitoring activities that are achievable by Land Bank.

Recommendations

- The executive director of Land Bank should develop policies and procedures to identify and track deed of trust requirements, compliance with the requirements, and corrective actions taken to address noncompliance.
- 2. The executive director of Land Bank should develop enforcement policies to guide staff through major decision points during the life of a deed of trust that include possible actions to be taken for failure to meet deed of trust requirements and unsatisfied deed of trust provisions at the end of the deed term.
- 3. The executive director of Land Bank should develop procedures to ensure the initial mowing lists provided to contractors are

- accurate and updated throughout the mowing season to remove properties as they are sold.
- 4. The executive director of Land Bank should develop a monitoring process for staff that gives reasonable assurance that mowing work has been completed.
- 5. The executive director of Land Bank should develop a monitoring procedure to provide reasonable assurance that contractors followed mowing contract requirements.
- 6. The executive director of Land Bank should develop and follow written procedures for responding timely to contractor-identified issues on Land Bank properties.
- 7. The executive director of Land Bank should work with Procurement Services to develop mowing contracts and scope of services that correctly identify who is responsible for monitoring activities and include monitoring activities that are achievable by Land Bank.

Appendix A Executive Director of Land Bank of Kansas City, Missouri's Response

Land Bank's Contract and Deed of Trust Monitoring Processes Should Be Strengthened



LAND BANK OF KANSAS CITY, MISSOURI

4900 Swope Parkway, 2nd floor Kansas City, Missouri 64130

RECEIVED

Date:

April 14, 2016

To:

Douglas Jones, City Auditor

From:

Ted Anderson

Executive Director, Kansas City, Missouri Land Bank

Subject:

Response to 2016 Performance Audit.

First, the professionalism and detail of the work done by the Auditor's staff in preparing this report and the audit should be commended. I am in agreement with each recommendation, and specifically address each as follows:

 The executive director of Land Bank should develop policies and procedures to identify and track deed of trust requirements, compliance with the requirements, and corrective actions taken to address noncompliance.

Agreed. The Land Bank currently tracks the deed of trust requirements, compliance with those requirements and takes corrective actions to address non-compliance. However, there are no written policies and procedures at this time. The executive director will draft such policies and procedures and present those to the Land Bank Board for their consideration within six (6) months.

2. The executive director of Land Bank should develop enforcement policies to guide staff through major decision points during the life of a deed of trust that include possible actions to be taken for failure to meet deed of trust requirements and unsatisfied deed of trust provisions at the end of the deed term.

Agreed. The policies and/or procedures proposed to meet the requirements of No. 1 above will include these recommended policies/procedures.

 The executive director of Land Bank should develop procedures to ensure the initial mowing lists provided to contractors are accurate and updated throughout the mowing season to remove properties as they are sold.

Agreed. The Land Bank is currently transitioning the mowing function to the Solid Waste Division of the Department. Solid Waste is working with the City's IT Department to create an inventory database to allow for more real time information to be available. The database will need to be designed, tested and implemented. During the testing phase, the executive director will present the database and its capabilities to the Land Bank Board.

 The executive director of Land Bank should develop a monitoring process for staff that gives reasonable assurance that mowing work has been completed.

It is agreed that it is critically important that we do not pay contractors for mowing that is not done. The Solid Waste Department is currently putting monitoring efforts in place for the mowing and cleaning of the Land Bank parcels. These efforts will include spot checks, requests for time and date stamped photo documentation, on site inspections, and verification of cleanup through the trash pick up. Since it is a possibility that the Land Bank may end up managing this program at some time in the future, the executive director agrees that he will establish such monitoring process within the next year to provide for reasonable assurance that the properties are being mowed. This time will allow the Solid Waste Division to find the best method for monitoring this work and put into place any necessary systems.

5. The executive director of Land Bank should develop a monitoring procedure to provide reasonable assurance that contractors followed moving contract requirements.

Agreed. See the response to item No. 4. The executive director agrees that the process proposed to monitor the mowing will include provisions to monitor all of the contract requirements.

 The executive director of Land Bank should develop and follow written procedures for responding timely to contractor- identified issues on Land Bank properties.

Agreed. See the response to item No. 4. Land Bank believes that these issues should significantly decrease with Solid Waste taking over the mowing function. Further, the proposed interactive database noted in response No. 3 will further help on this issue. However, the executive director will draw up a formal process within the year.

7. The executive director of Land Bank should work with Procurement Services to develop mowing contracts and scope of services that correctly identify who is responsible for monitoring activities and include monitoring activities that are achievable by Land Bank.

Agreed. The executive director agrees to ensure that this will happen for future contracts.

cc: Troy M. Schulte, City Manager

John A. Wood